

FISCAL NOTE

Bill #: SB1

Title: Reduce income taxes and expand standard deduction - referendum

Primary

Sponsor: Lorents Grosfield

Status: As Introduced

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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Fiscal Summary

	<u>FY2001 Difference</u>	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
Expenditures:			
General fund	\$12,390		
Revenue:			
General Fund	(\$29,000,000)	(\$29,000,000)	(\$29,000,000)
Net Impact on General Fund Balance:	(\$29,012,390)	(\$29,000,000)	(\$29,000,000)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

Department of Revenue

1. This proposal is effective beginning with tax year 2000.
2. The Department of Revenue will not adjust withholding tables in response to this legislation.
3. This proposal reduces each of the current law individual income tax rates by 5 percent.
4. This proposal changes the current law standard deduction to a fixed, flat deduction of \$6,180 for married couples filing jointly and heads of households, and \$3,090 for all other filer types, for tax year 2000, and indexes these values from that point on.
5. Based on a computer program analysis using a sample of 1998 individual income tax returns this proposal is forecast to reduce tax year 2000 liabilities a total of \$29 million. This impact will be felt in its entirety in fiscal year 2001 when taxpayers file their TY2000 individual income tax returns.
6. There are no administrative impacts associated with this bill.

(continued)

Secretary of State

1. The legislative referendum will be presented to the electorate at the regularly scheduled statewide general election on November 7, 2000. A voter information pamphlet will be prepared for LR-115 (HB540 and C-34 (SB23). It will be 40 pages in length. The Secretary of State and county election administrators have resources budgeted for the preparation, printing and distribution of an average size VIP. The average VIP in the past 4 years has been 40 pages.
2. A voter information pamphlet (VIP) will be printed for this issue. The VIP will be 10 pages in length for SB1. There will be 525,000 VIPs printed and circulated.
3. The cost to the Secretary of State for printing the VIP will be \$12,390. (10 pages X \$.00236/page X 525,000).
4. The cost to the counties for distribution of the VIP will be \$43,869. (10 pages X \$.008356/page X 525,000).
5. The Secretary of State will pay for the VIP through its proprietary fund.
6. There is a regularly scheduled statewide election in November, 2000, therefore there will not be additional expenses to the state and county to hold the election.

FISCAL IMPACT:

	<u>FY2001</u> <u>Difference</u>	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
<u>Expenditures:</u>			
Operating Expenses	\$12,390		
<u>Revenues:</u>			
General Fund (01)	(\$29,000,000)	(\$29,000,000)	(\$29,000,000)
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>			
General Fund (01)	(\$29,012,390)	(\$29,000,000)	(\$29,000,000)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

County election administrators have resources budgeted for the preparation, printing, and distribution of an average size VIP. The average VIP in the past years has been 40 pages. The cost to the counties for distribution of the VIP for this issue will be \$43,869. (10 pages X \$.008536/ page X 525,000)

LONG-RANGE IMPACTS:

This proposal will reduce income tax rates by 5% and increase the standard deduction for all tax years after tax year 1999. This is forecast to reduce tax year liabilities by \$29 million each year beginning with tax year 2000. Revenue will be reduced by the same amount in each fiscal year beginning with fiscal 2000, and continuing with each fiscal year thereafter. Consequently, general fund revenues are reduced by \$29 million in fiscal 2002 and 2003.